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Message Text

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DODE-00 H-03 FEA-02 ACDA-19 CIAE-00 INR-11 IO-14 L-03

NSAE-00 NSC-07 RSC-01 PA-04 PRS-01 USIA-15 /171 R

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R 151910Z JUL 74
FM SECSTATE WASHDC
TO AMEMBASSY TEHRAN
INFO USMISSION EC BRUSSELS

S E C R E T STATE 152344

E.O. 11652: GDS
TAGS: TECH, ENRG, IR
SUBJECT: IRANIAN INTEREST IN URANIUM ENRICHMENT PLANT
REF: TEHRAN 5463

FOR AMBASSADOR FROM SISCO

1. CHAIRMAN RAY HAS BEEN CONSULTED CONCERNING PROPOSAL REFTEL AND AGREES WITH FRENCH ASSESSMENT THAT DIFFUSION PLANT IN IRAN WOULD NOT LIKELY PROVE TO BE ECONOMICALLY VIABLE. HOWEVER, THERE IS ANOTHER APPROACH, AS OUTLINED IN THE FOLLOWING PARAGRAPHS, WHICH COULD SERVE DUAL OBJECTIVES OF PERMITTING IRAN TO TAKE AN ACTIVE ROLE IN PROVIDING ENRICHMENT SERVICES FOR ITS OWN NUCLEAR POWER PROGRAM, AND IN ASSISTING THE U.S. IN THIS IMPORTANT AREA. WE WOULD HOPE THAT THE SHAH WOULD GIVE IT SERIOUS CONSIDERATION.

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2. COST OF BUILDING NEXT DIFFUSION PLANT IN U.S. (ANNUAL CAPACITY OF APPROXIMATELY 9 MILLION SEPARATIVE WORK UNITS) ESTIMATED TO BE DOLLARS 2.75 BILLION, NOT COUNTING ANOTHER DOLLARS 1 BILLION OR SO FOR POWER PLANTS NEEDED TO SUPPORT DIFFUSION PLANT. COST OF EQUIVALENT INSTALLATION IN IRAN WOULD DOUBTLESS RUN MUCH HIGHER THAN U.S. COSTS, AND MOST UNLIKELY THAT THIS COULD BE A SOUND INVESTMENT FOR IRAN.

3. YOU MAY WISHTO SUGGEST TO SHAH THAT URANIUM ENRICHMENT ASSOCIATES (UEA), A CONSORTIUM OF BECHTEL, WESTINGHOUSE AND UNION CARBIDE, IS NOW SEEKING ORDERS AND FINANCING FOR A DIFFUSION PLANT TO BE BUILT IN ALABAMA. JAPANESE ARE CONSIDERING SUBSTANTIAL INVESTMENT (CONCEIVABLY UP TO ONE-THIRD OF TOTAL) IN EXCHANGE FOR WHICH THEY WILL RECEIVE ASSURED SUPPLY OF ENRICHMENT SERVICES OF THE PROPORTIONAL FRACTION OF PLANT PRODUCT.

4. SHAH MIGHT WISH TO CONSIDER TAKING 10 PERCENT OF THE INVESTMENT IN THE NEW DIFFUSION PLANT (I.E., ABOUT DOLLARS 275 MILLION) WHICH COULD ASSURE TO IRAN 10 PERCENT OF THE PLANT OUTPUT. A ROUGH CALCULATION INDICATES THAT THIS WOULD FUEL 8 TO 10 OF IRAN'S PROPOSED POWER REACTORS ON A STEADY STATE BASIS. MR. JEROME KOMES, PRESIDENT OF THE BECHTEL CORPORATION, (P.O. BOX 3965, 50 BEALE STREET, SAN FRANCISCO, CALIFORNIA 94105), HAS INDICATED THAT UEA WOULD BE GREATLY PLEASED TO DISCUSS INVESTMENT OPPORTUNITIES WITH IRANIAN REPRESENTATIVES. IRANIAN INVESTMENTS OF THIS MAGNITUDE WOULD SUBSTANTIALLY LIGHTEN U.S. BURDEN IN THIS FIELD, PARTICULARLY IN VIEW OF DIFFICULTIES CURRENTLY FACING DOMESTIC UTILITIES IN OBTAINING FINANCING FOR THEIR EXPANSION PROGRAMS.

5. FYI U.S. POLICY CALLS FOR NEXT INCREMENT OF ENRICHMENT CAPACITY TO BE PROVIDED BY PRIVATE SECTOR. THEREFORE, GOVERNMENT IS ENCOURAGING EFFORTS OF UEA, WHICH IS SEEKING WITHIN NEXT FEW MONTHS TO FIRM UP ARRANGEMENTS INCLUDING CUSTOMERS AND INVESTORS. END FYI. KISSINGER

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